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Report Highlights:

FAS Moscow raises its total grain production forecast for MY 2008 to 93.2 million metric tons (MMT), an increase of 4.6 MMT from August estimates. The increase is due to good weather conditions in July and August, reported harvest progress, and excellent yields of winter grains - especially winter wheat - in European Russia. The wheat production forecast is 56.2 MMT, and the barley forecast is 18.2 MMT. The corn production forecast is 5.6 MMT. Post forecasts grain exports at 14.9 MMT, including 13.0 MMT of wheat and 1.6 MMT of barley. Prices of feed quality wheat and barley continue to fall rapidly, while the price of milling wheat stabilized due to low production.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Trade Report
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Executive Summary

FAS Moscow raises its total grain production forecast for MY 2008 to 93.2 million metric tons (MMT), an increase of 4.6 MMT from August estimates. The increase is due to good weather conditions in July and August, reported harvest progress, and excellent yields of winter grains - especially winter wheat - in European Russia. The wheat production forecast is 56.2 MMT (a 2.7 MMT increase over the August forecast), the barley production forecast is 18.2 MMT (a 700,000 MT increase), and the rye production forecast is 4.2 MMT (a 300,000 MT increase). The corn production forecast is 5.6 MMT (a 100,000 MT increase), and oat production is expected to reach 5.2 MMT (a 300,000 MT increase). Forecasts for millet and rice will remain unchanged: 500,000 MT and 770,000 MT (rough weight) respectively. Other grains and legumes will add 2.5 MMT to Russia's grain crop. Russia's grain exports are currently forecast at 14.9 MMT, including 13.0 MMT of wheat and 1.6 MMT of barley. Given the high wheat crop, there will be enough milling quality wheat to satisfy domestic demand, but the share of milling wheat is lower than in 2007. Prices of feed quality wheat and barley continue to decrease rapidly, while the decrease of milling wheat prices slowed down. The Russian government announced the beginning of grain procurement interventions, and it added feed wheat and barley to the list of procured products. However, actual purchase of these crops has not yet begun, and producers are primarily interested in support of feed grains prices.

2008 Grain Crop

Production Forecasts

FAS Moscow raises its total grain production forecast for MY 2008 to 93.2 million metric tons (MMT), an increase of 4.6 MMT from August estimates. The increase is due to good weather conditions in July and August, reported harvest progress, and excellent yields of winter grains - especially winter wheat - in European Russia. The wheat production forecast is 56.2 MMT (a 2.7 MMT increase over the August forecast), the barley production forecast is 18.2 MMT (a 700,000 MT increase), and the rye production forecast is 4.2 MMT (a 300,000 MT increase). The corn production forecast is 5.6 MMT (a 100,000 MT increase), and oat production is expected to reach 5.2 MMT (a 300,000 MT increase).

On August 25, 2008, Russian Minister of Agriculture Aleksey Gordeyev increased the official grain crop forecast from 85.0 MMT to "not less than 95.0 MMT," if weather conditions stay favorable in September. The forecast is based on crops harvested by August 25, 2008. Grain analysts' forecasts vary from 93 MMT to 100 MMT. Most analysts report that the grain crop will break a 15-year record primarily because of high winter wheat and winter barley production, whereas spring grains will not significantly exceed the 2007 level.

2008 Harvest Progress

According to Russia's Ministry of Agriculture, Russian farmers harvested 25.7 million hectares (55.5% of area sown with grain) by August 25, 2008. Production on this area was 75.3 MMT, 22.0 MMT more than on the same date last year. The average grain yield was 2.93 MT/HA, 0.55 MT/HA more than last year. 43.2 MMT of wheat were harvested from 13.0 million hectares (48.4 of the planned harvest area), and the reported average yield was 3.35 MT/HA (0.66 MT/HA more than on the same date last year). Barley was harvested from 6.0 million hectares (61.6% of sown area). Production on this area was 17.0 MMT (5.2 MT more than last year), and the average yield was 2.84 MT/HA (0.72 MT/HA more than in 2007).

In the Southern Federal District farmers harvested 85% of grain area, and production reached 32.1 MMT, a 10.7 MMT increase over 2007. The grain yield averages 3.68 MT/HA, a 0.8 MT/HA increase from 2007.

In the Volga Valley Federal District farmers harvested 18.1 MMT of grain from 8.4 million hectares (61.4% of sown area) by August 25, 2008. The reported yields are 2.15 MT/HA, 0.2 MT/HA higher than in 2007.

In the Central Federal District farmers harvested 82.2% of grain area and produced 21.6 MMT on these 6.3 million hectares. The reported yield is 3.44 MT/HA, 0.99 MT/HA more than in 2007.

In the Ural Federal District farmers harvested 1.2 MMT of grain by August 25, 2008. Production was 0.5 MMT higher than on the same date last year, but average yields declined 0.26 MT/HA to 1.58 MT/HA.

In the Siberian Federal District unfavorable weather caused harvesting delays, and drought in some provinces of this District resulted in low yields. By August 25, 2008, farmers harvested 1.2 million hectares (11.3% of sown area), and the reported yield was 1.41 MT/HA, a 0.36 MT/HA decrease from the same date last year. Reported production was 1.6 MMT.

Farmers of the Far Eastern Federal District usually produce less than 0.8 MMT of grain, and as in Siberia, production in 2008 may also decrease on a year-on-year basis. By August 25, 2008 they harvested 69% of grain area (291,000 hectares) and produced 380,000 MT (24,000 MT less than on the same date in 2007). The average yield is 1.33 MT/HA (0.5 MT/HA lower than in 2007).

Grain Quality

According to traders and grain inspectors, milling wheat's share of the bumper wheat crop will be smaller in 2008 than in 2007, although quantity of the top grade milling wheat will be enough to cover domestic demand for the crop. Deterioration of quality (based on the quantity and quality of gluten in the wheat) is connected with the weather, the late spring application of ammonium fertilizer in some southern territories in European Russia, and the spread of the *sunny bug* pest in the wheat fields. Grains damaged by sunny bug may decrease the quality of the whole load of wheat from Class 4 to feed quality while stored at the elevators, and wheat unloaded from the elevators may be of lower quality than incoming wheat. Prices of feed quality wheat continue to decrease rapidly along with harvest progress in European Russia, while prices of top grade (Class 3) milling wheat stabilized. This is another indicator that wheat is generally of a lower quality this year than in 2007.

Trade

Post forecasts that grain export in MY 2008 will reach 14.9 MMT, including 13.0 MMT of wheat and flour (in grain equivalent), and 1.6 MMT of barley. According to experts, further increases in grain exports in MY 2008 will be restricted by the limited availability of milling quality wheat, tough competition in the traditional wheat and barley markets with Ukrainian wheat, and limited capacity of Russia's transportation and storage systems in European Russia to export grain. The Russian Ministry of Agriculture forecasts that in MY 2008, Russia will export 15.0 MMT of grain. Analysts' export forecasts vary from 14 to 18 MMT, but all experts expect competition on the world grain market this year to be much stronger than in 2007.

The Russian Ministry of Agriculture began closely monitoring Russia's grain exports. According to its data, in MY 2008 Russia exported 2.01 MMT of grain by August 18, 2008, including 1,738,000 MT of wheat and 270,000 MT of barley. In July exports were 887,000 MT (722,000 MT of wheat and 165,000 MT of barley). From August 1 to August 18, Russia exported 1.12 MMT of grain (1,016,000 MT of wheat and 105,000 MT of barley).

Marketing

Grain Futures Trading

In August 2008, Russia continued to trade grain futures. In July 2008, the exchange started trading January 2009 wheat futures, both EXW and FOB. The settle prices of January 2009 futures are now lower than November futures. The table below shows the results of the futures trade as of August 28, 2008. Trade in grain futures became more active in August, but it still remained low and did not significantly influence the actual prices at which farmers sold grain to traders.

Table 1. Russia: Grain Futures Prices and Turnover as of July 29, 2008

Codes	Contract	Price*				Turnover	
		Open	Low	High	Settle	Total contracts	Rubles
	Futures EXW, Rubles						
FDEXW1WHT389	- wheat class 3, September 2008	5,404	5,190	5,430	5,400	20	25,194,000
FDEXW1WHT38B	- wheat class 3, November 2008	5,119	4,909	5,200	5,200	20	23,948,600
FDEXW1WHT391	- wheat class 3, January 2009	4,852	4,635	5,000	5,000	20	22,735,960
FDEXW1WHT489	- wheat class 4, September 2008	5,201	4,990	5,250	5,250	20	24,273,600
FDEXW1WHT48B	- wheat class 4, November 2008	5,000	4,795	5,100	5,100	20	23,391,160
FDEXW1WHT491	- wheat class 4, January 2009	4,615	4,398	4,890	4,890	20	21,763,040
	Futures FOB, exports						
FDFOBNWHITE89	- wheat, September 2008	259.7	259.7	262.0	262.0	12	24,664,550
FDFOBNWHITE8B	- wheat, November 2008	255.3	255.3	258.0	258.0	12	24,251,270
FDFOBNWHITE91	- wheat, January 2009	252.2	251.0	254.2	251.0	12	23,863,968

Source: NAMEX, www.agronews.ru

Grain Prices

Grain prices in Russia continue to decrease. Analysts report that prices are falling rapidly in European Russia, as the harvest is in full swing and the forecast is strong. However, price trends for milling and feed quality grain are different. Analysts at WJ ProZerno report that

prices of milling quality wheat (Classes 3 and 4) began to fall less quickly, and in mid-August these prices began to increase because there is a low supply of wheat with good gluten. Contrastingly, the supply of feed quality wheat and barley is huge, and their prices are falling very quickly.

Table 2. European Russia: Grain Prices, EXW, Rubles, U.S. Dollars, 2008

	Jun 20	Jun 27	Jul 4	Jul 11	Jul 18	Jul 25	Aug 8	Aug 15	Aug 22
Rubles per Metric Ton									
Wheat, food quality, class 3	7,385	6,985	6,700	6,380	6,025	5,680	5,625	5,660	5,735
Wheat, class 4	7,135	6,655	6,440	6,050	5,610	5,280	5,020	4,890	4,910
Food rye	7,130	6,980	6,685	6,280	5,880	5,415	4,465	4,345	4,255
Feed wheat	6,815	6,300	6,090	5,490	5,000	4,500	3,735	3,565	3,500
Feed barley	5,645	5,255	5,200	4,965	4,665	4,325	3,685	3,515	3,485
Feed corn	7,530	7,450	7,410	7,140	7,090	7,000	7,000	NA	NA
USD per Metric Ton									
Wheat, food quality, class 3	313	298	284	275	260	243	229	231	235
Wheat, class 4	302	284	273	260	242	226	204	200	201
Food rye	302	298	284	270	253	232	182	177	174
Feed wheat	289	269	259	236	215	193	152	146	143
Feed barley	239	225	221	214	201	185	150	144	143
Feed corn	319	318	315	307	305	300	285	NA	NA

Source: WJ ProZerno

Policy

Grain Procurement Interventions Begin

Grain Procurement Interventions started on August 19, 2008.¹ Four sessions were planned for August 19, 20, 26, and 27. The Agency for Regulation of the Food Market (<http://www.oaoapr.ru/>) will conduct the interventions at the Moscow International Commodity Exchange (<http://www.micex.ru/commodity/>). Updated information on the grain procurement interventions is also published on the website of the agricultural newspaper Krestyanskiye Vedomodti (<http://www.agronews.ru/InterZE>).

Grain purchase is very slow. For milling wheat, farmers are waiting for an increase in the market price to sell their wheat commercially. Farmers are also waiting for the government to start purchasing feed wheat and barley. As of August 27, the government had purchased only 1,485 MT of Class 4 milling wheat and 4,725 MT of Group A food-quality rye with the intervention fund. The government paid 4,900 rubles/MT for wheat and 3,900 rubles/MT for rye. According to the latest information, the Ministry of Agriculture may purchase up to 2.0 MMT of feed quality grain. If domestic livestock and poultry industries increase their demand for feed grain, however, the government may purchase less than this target amount. The Ministry of Agriculture has permission to spend between 24 and 25 billion rubles on grain intervention from the 31 billion rubles it added to Rosselkhozbank's capital. The Ministry of Agriculture has discretionary authority to update the government's intervention policy and decide what grain to purchase with the 24-25 billion ruble fund.

¹ GAIN RS8063 Grain and Feed / The Ministry of Agriculture Opens Grain Procurement Interventions

Government Grain Trade

The media report that the Ministry of Agriculture does not currently intend to interfere in the foreign grain trade or limit grain exports. The Government Grain Trading Company² has not yet been created. Nevertheless, the Ministry of Agriculture may develop different export strategies for milling quality wheat and feed wheat. To this end, the Ministry of Agriculture may propose that the government develop different Customs codes (HS Numbers) for milling and feed quality wheat in MY 2008/09.

PSD Tables

Table 3. Russia: Wheat

Wheat Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		New Post
	USDA official	Post estimate	Data	USDA official	Post estimate	Data	USDA official	Post estimate	Data
Area Harvested	23700	23700	23700	24500	23500	24500	26100	25600	25800
Beginning Stocks	3809	3809	3809	2380	2380	2380	2580	2260	2270
Production	44900	44900	44900	49400	49390	49400	57000	53500	56200
MY Imports	861	861	861	1000	350	350	500	400	400
TY Imports	861	861	861	1000	350	350	500	400	400
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	49570	49570	49570	52780	52120	52130	60080	56160	58870
MY Exports	10790	10790	10790	12000	12160	12160	13500	12600	13000
TY Exports	10790	10790	10790	12000	12160	12160	13500	12600	13000
Feed Consumption	14100	14100	14100	15400	15050	15050	16500	15800	16600
FSI Consumption	22300	22300	22300	22800	22650	22650	23500	22700	23200
Total Consumption	36400	36400	36400	38200	37700	37700	40000	38500	39800
Ending Stocks	2380	2380	2380	2580	2260	2270	6580	5060	6070
Total Distribution	49570	49570	49570	52780	52120	52130	60080	56160	58870
Yield	2.0	2.0	1.9	2.0	2.1	2.0	2.0	2.1	2.2

² Please see RS8052 Grain and Feed / Government Grain Trade Monopoly May Return for more information.

Table 4. Russia: Barley

Barley Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		New Post
	USDA official	Post estimate	Data	USDA official	Post estimate	Data	USDA official	Post estimate	Data
Area Harvested	10000	10000	10000	9800	8360	8360	9600	9300	9400
Beginning Stocks	873	873	873	1226	1226	1226	726	736	736
Production	18100	18100	18100	15650	15665	15665	18000	17500	18200
MY Imports	200	200	200	200	175	175	200	200	200
TY Imports	200	200	200	200	175	175	200	200	200
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	19173	19173	19173	17076	17066	17066	18926	18436	19136
MY Exports	1547	1547	1547	1050	1030	1030	2100	1400	1600
TY Exports	1691	1691	1691	1000	1030	1030	2100	1400	1600
Feed Consumption	11800	11800	11800	10700	10700	10700	11300	11600	11800
FSI Consumption	4600	4600	4600	4600	4600	4600	4600	4600	4700
Total Consumption	16400	16400	16400	15300	15300	15300	15900	16200	16500
Ending Stocks	1226	1226	1226	726	736	736	926	836	1036
Total Distribution	19173	19173	19173	17076	17066	17066	18926	18436	19136
Yield	2.0	1.8	1.8	2.0	1.9	1.9	2.0	1.9	1.9

Table 5. Russia: Corn

Corn Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct 2006			Market Year Begin: Oct 2007			Market Year Begin: Oct 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		New Post
	USDA official	Post estimate	Data	USDA official	Post estimate	Data	USDA official	Post estimate	Data
Area Harvested	1000	1000	1000	1300	1300	1300	1600	1600	1600
Beginning Stocks	144	144	144	175	175	175	175	175	175
Production	3600	3670	3670	3950	3950	3950	5800	5500	5600
MY Imports	108	108	108	250	250	250	150	150	200
TY Imports	108	108	108	250	250	250	150	150	200
TY Imp. from U.S.	9	9	9	0	0	0	0	10	10
Total Supply	3852	3922	3922	4375	4375	4375	6125	5825	5975
MY Exports	77	77	77	50	50	50	150	150	150
TY Exports	77	77	77	50	50	50	150	150	150
Feed Consumption	3100	3170	3170	3550	3550	3550	4600	4550	4650
FSI Consumption	500	500	500	600	600	600	600	600	600
Total Consumption	3600	3670	3670	4150	4150	4150	5200	5150	5250
Ending Stocks	175	175	175	175	175	175	775	525	575
Total Distribution	3852	3922	3922	4375	4375	4375	6125	5825	5975
Yield	4.0	3.7	3.7	3.0	3.0	3.0	4.0	3.4	3.5

Table 6. Russia: Rye

Rye Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		New Post
	USDA official	Post estimate	Data	USDA official	Post estimate	Data	USDA official	Post estimate	Data
Area Harvested	1800	1800	1800	2100	2100	2100	2300	2200	2200
Beginning Stocks	126	126	126	76	76	76	76	76	76
Production	3000	3000	3000	3900	3915	3915	4400	3900	4200
MY Imports	50	50	50	25	5	5	0	25	0
TY Imports	50	50	50	25	5	5	0	25	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	3176	3176	3176	4001	3996	3996	4476	4001	4276
MY Exports	0	0	0	100	120	120	100	85	120
TY Exports	64	64	64	100	120	120	100	85	120
Feed Consumption	100	100	100	650	620	620	650	650	660
FSI Consumption	3000	3000	3000	3175	3180	3180	3375	3100	3300
Total Consumption	3100	3100	3100	3825	3800	3800	4025	3750	3960
Ending Stocks	76	76	76	76	76	76	351	166	196
Total Distribution	3176	3176	3176	4001	3996	3996	4476	4001	4276
Yield	2.0	2.0	1.7	2.0	2.0	1.9	2.0	2.0	1.9

Table 7. Russia: Oats

Oats Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		New Post
	USDA official	Post estimate	Data	USDA official	Post estimate	Data	USDA official	Post estimate	Data
Area Harvested	3600	3600	3600	3700	3320	3320	3400	3100	3100
Beginning Stocks	190	190	190	190	190	190	190	190	190
Production	4900	4900	4900	5400	5410	5410	5000	4900	5200
MY Imports	0	0	0	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	5090	5090	5090	5590	5600	5600	5190	5090	5390
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	4	4	4	0	0	0	0	0	0
Feed Consumption	3300	3300	3300	3800	3810	3810	3400	3300	3600
FSI Consumption	1600	1600	1600	1600	1600	1600	1600	1600	1600
Total Consumption	4900	4900	4900	5400	5410	5410	5000	4900	5200
Ending Stocks	190	190	190	190	190	190	190	190	190
Total Distribution	5090	5090	5090	5590	5600	5600	5190	5090	5390
Yield	1.0	1.0	1.4	1.0	2.0	1.6	1.0	2.0	1.7

Relevant Reports

RS8063 The Ministry of Agriculture Opens Grain Procurement Interventions

<http://www.fas.usda.gov/gainfiles/200808/146295597.pdf>

RS8062 MinAg May Raise Crop Forecast and Begin Grain Procurement Next Week

<http://www.fas.usda.gov/gainfiles/200808/146295493.pdf>

RS8058 August Monthly Update

<http://www.fas.usda.gov/gainfiles/200808/146295384.pdf>

RS8052 Government Grain Trade Monopoly May Return

<http://www.fas.usda.gov/gainfiles/200807/146295244.pdf>

RS8022 Grain Intervention (Procurement) Prices for 2008

<http://www.fas.usda.gov/gainfiles/200803/146294105.pdf>